

POLK COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2011

POLK COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2011

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**CARE OF: MAEGAN BALLEW- ADMINISTRATIVE ASSISTANT**

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**Management's Discussion and Analysis**

Our discussion and analysis of the Polk County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

**Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

**The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets**

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2011</u>	<u>2010</u>
Net Assets		
Current and other assets	\$ 548,403	\$ 474,147
Capital assets	<u>229,959</u>	<u>245,857</u>
Total assets	778,362	720,004
Current liabilities	<u>(3,523)</u>	<u>(31,373)</u>
Net Assets	<u>\$ 774,839</u>	<u>\$ 688,631</u>
Summary of net assets - Invested in capital assets	\$ 229,959	\$ 245,857
Unrestricted	<u>544,880</u>	<u>442,774</u>
Total Net Assets	<u>\$ 774,839</u>	<u>\$ 688,631</u>
Change in Net Asseets		
Operating revenues	\$ 250,004	\$ 225,790
Operating expenses	<u>176,805</u>	<u>165,043</u>
Operating income/(loss)	73,199	60,747
Non-operating income	<u>13,009</u>	<u>15,003</u>
Change in Net Assets	86,208	75,750
Net Assets - beginning	<u>688,631</u>	<u>612,881</u>
Net Assets - ending	<u>\$ 774,839</u>	<u>\$ 688,631</u>

#### **Analysis of Financial Position and Results of Operations**

The District's net assets have increased by \$86,208 over the previous year. Operating revenues increased 10.72% primarily due to an increase in TECB operational funding. Operating expenditures were up 7.13% due increases in data processing service/T line expenses, maintenance and repairs of communication equipment, small equipment purchases and increases in utilities expenses.

### **The District's Net Assets**

The District completed the year with net assets of \$744,839 an increase of \$86,208 over the previous year.

### **Budgetary Highlights**

The actual charges to expenses were \$13,324 below the final budgeted amount. This is primarily due to the budgeted building maintenance and repairs not needed and training and travel expenses were less than anticipated. Other budget variances are not considered significant and, therefore, not addressed here.

Actual revenues, in total exceeded budgeted revenues by \$57,663, with operating revenues being over budget by \$63,004 due to increases in TECB operational funding.

### **Capital Assets**

At the end of the accounting period, The District had \$229,959 in capital assets such as communications and office equipment, leasehold improvements. This amount represents a decrease of \$15,898 or 6.47%. The decrease is due to current year depreciation was more than the additions to fixed assets.

### **Financial Activity and Plans for Future Needs**

The Board has plans to install a generator at the backup PSAP. Also we have awarded a contract for new NG911 equipment that includes radio control within the software. There will be many changes that are to be addressed such as radio sites, new radio frequencies licenses, replacement of most all of our old computer systems and related hardware. We will attempt to move from analog to digital in every mode of public interaction we have currently. Training will be a focus this year for all our members and dispatchers.

Steven Lofty  
Chairman of the Board

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT  
June 30, 2011

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Secretary

Jerry Stephens, Member

Becky Cearley, Member

## **FINANCIAL SECTION**

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
KELVIN W. BISHOP, CPA  
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JANICE L. HAYES, CPA  
CASSIE BELL, CPA

MEMBER  
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TENNESSEE SOCIETY OF  
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Polk County "911" Emergency  
Communications District

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County "911" Communications District as of June 30, 2011, and the respective changes in financial position, and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of Polk County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements of Polk County "911" Emergency Communications District's financial statements as a whole. The budgetary comparison schedule on pages 14 through 15 are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Haig Bish & Associates PLLC*

Cleveland, Tennessee

October 24, 2011

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 316,624
Cetificates of deposit	195,895
Accounts receivable	10,385
Accrued interest receivable	70
Prepaid expenses	<u>1,947</u>

Total Current Assets	<u>524,921</u>
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Capital Assets

Communication equipment	439,373
Furniture and fixtures	17,160
Office equipment	12,063
Leasehold improvements	<u>126,932</u>
	595,528

Less Accumulated Depreciation	<u>(365,569)</u>
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Capital Assets, net	<u>229,959</u>
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Other Assets

Equipment Deposit	<u>23,482</u>
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Total Other Assets	<u>23,482</u>
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Total Assets	<u>\$ 778,362</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 3,523</u>
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Total Liabilities	<u>3,523</u>
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Net Assets

Invested in capital assets	229,959
Unrestricted net assets	<u>544,880</u>

Total Net Assets	<u>774,839</u>
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Total Liabilities and Net Assets	<u>\$ 778,362</u>
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The accompanying notes are an integral part  
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS  
For the Year Ended June 30, 2011

OPERATING REVENUES

Emergency telephone service charge	\$ 57,322
TECB - shared wireless charge	41,891
TECB - operational funding	<u>150,791</u>
Total Operating Revenues	<u>250,004</u>

OPERATING EXPENSES

Contracted Services	
Addressing/Mapping expenses	38,795
Advertising	169
Audit services	4,000
Accounting services	10,400
Data processing service/ T Line	26,015
Fees paid to service providers	1,962
Legal services	7,000
IT consultant	4,145
Training consultant	2,400
Rental/Buildings facilities	660
Maintenance and repairs - communications equipment	<u>5,870</u>
Total Contracted Services	<u>101,416</u>

Supplies and Materials

Office supplies	744
Postage	210
Small equipment purchases	3,598
Uniforms and shirts	1,143
Utilities - electric	3,067
Utilities - gas	331
Utilities - water and sewer	433
Utilities - general telephone	<u>3,351</u>
Total Supplies and Materials	<u>12,877</u>

Other Charges

Board meeting expenses	590
Insurance - buildings and content	2,416

(Continued on next page)  
The accompanying notes are an integral part  
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended June 30, 2011  
 (Continued from previous page)

Licenses and fees	\$ 2,081
Premiums on surety bonds	882
Training expenses	1,168
Travel expenses	3,473
Internet charges	<u>4,067</u>
Total Other Charges	<u>14,677</u>
Depreciation	
Depreciation expense	<u>47,835</u>
Total Operating Expenses	<u>176,805</u>
Operating Income	<u>73,199</u>
NON-OPERATING REVENUE	
Interest income - checking	431
Interest income - certificate of deposit	2,578
TECB grant & reimbursements	<u>10,000</u>
Non-Operating Revenue	<u>13,009</u>
NET INCOME	86,208
Net assets, beginning	<u>688,631</u>
Net assets, ending	<u><u>\$ 774,839</u></u>

The accompanying notes are an integral part  
 of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from surcharges and other revenues	\$ 244,969
Cash payments to suppliers for goods and services	<u>(156,965)</u>
Net cash provided by operating activities	<u>88,004</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants/Reimbursements TECB	<u>10,000</u>
Net cash provided by noncapital financing activities	<u>10,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(31,937)</u>
Net cash used by capital and related financing activities	<u>(31,937)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of certificates of deposit	(2,787)
Proceeds from certificates of deposit	52,758
Interest income	<u>3,218</u>
Net cash provided by investing activities	<u>53,189</u>
Net increase in cash and cash equivalents	119,256
Cash and cash equivalents, beginning of year	<u>197,368</u>
Cash and cash equivalents, end of year	<u>\$ 316,624</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating</b>	
Operating income	\$ 73,199
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating	
Depreciation expense	47,835
Change in assets and liabilities:	
Increase in accounts receivables	(5,035)
Increase in prepaid expenses	(145)
Decrease in accounts payable	<u>(27,850)</u>
Net cash provided by operating activities	<u>\$ 88,004</u>

The accompanying notes are an integral part  
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Polk County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	5-10
Furniture and fixtures	5-10
Office equipment	5-10
Leasehold improvements	15

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Polk County "911" Emergency Communications District is a component of Polk County, Tennessee. As such, Polk County exercises significant influence over the District by having control over the appointment of the District's Board. The District must file a budget with Polk County and any bonds issued by the District are subject to approval by Polk County, Tennessee.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2011 all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2011 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 316,624	\$ 324,255
Certificates of Deposit, insured by Federal Depository Insurance (FDIC)	40,912	40,912
Certificates of Deposit, Secured by Pledged Collateral	<u>154,983</u>	<u>154,983</u>
Total	<u>\$ 512,519</u>	<u>\$ 520,150</u>

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2011.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30,		Retirement	June 30,	Accumulated
	2010	Additions	s	2011	Depreciation
					June 30, 2011
Communications Equipment	\$ 439,373	\$ -	\$ -	\$ 439,373	\$ 344,321
Furniture and Fixtures	17,160	-	-	17,160	5,587
Office Equipment	10,543	1,520	-	12,063	5,853
Leasehold Improvements	96,515	30,417	-	126,932	9,808
Total	<u>\$ 563,591</u>	<u>\$ 31,937</u>	<u>\$ -</u>	<u>\$ 595,528</u>	<u>\$ 365,569</u>

Provision for depreciation totaled \$47,835 for the year ended June 30, 2011.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 - Lease Commitments

The District has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located. The Special Use Permit authorizes the District to use the building and land at no cost as long as the District maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expired on 12-31-09 and a new permit can be obtained at the discretion of the U.S. Department of Agriculture. The District continues to use the building and land in accordance with the expired Special Use Permit.

NOTE 8 - Subsequent Events

Subsequent events were evaluated through October 24, 2011 which is the date the financial statements were available to be issued.



## SUPPLEMENTARY INFORMATION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2011

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<b>OPERATING REVENUES</b>			
Emergency telephone service charge	\$ 57,322	\$ 67,000	\$ 9,678
TECB - shared wireless charge	41,891	36,000	(5,891)
TECB - operational funding	<u>150,791</u>	<u>106,000</u>	<u>(44,791)</u>
Total Operating Revenues	<u>250,004</u>	<u>209,000</u>	<u>(41,004)</u>
<b>OPERATING EXPENSES</b>			
Contracted Services			
Addressing/Mapping expenses	38,795	40,300	1,505
Advertising	169	500	331
Audit services	4,000	4,000	-
Accounting services	10,400	10,400	-
Data processing service/ T Line	26,015	28,000	1,985
Fees paid to service providers	1,962	4,400	2,438
Legal services	7,000	7,000	-
Communication consultants	-	600	600
IT consultant	4,145	5,000	855
Training consultant	2,400	2,600	200
Rental/Buidlings facilities	660	1,450	790
Maintenance and repairs communication equip	5,870	6,000	130
Maintenance and repairs buildings facility	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total Contracted Services	<u>101,416</u>	<u>113,750</u>	<u>12,334</u>
Supplies and Materials			
Office supplies	744	1,000	256
Postage	210	300	90
Small equipment purchases	3,598	50,750	47,152
Uniforms and shirts	1,143	1,500	357
Utilities - electric	3,067	3,600	533
Utilities - gas	331	500	169
Utilities - water-sewer	433	500	67
Utilities - general telephone	<u>3,351</u>	<u>3,400</u>	<u>49</u>
Total Supplies and Materials	<u>12,877</u>	<u>61,550</u>	<u>48,673</u>

(Continued on next page)

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended June 30, 2011  
 (Continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
Other Charges			
Board meeting expenses	\$ 590	\$ 700	\$ 110
Insurance - buildings and content	2,416	2,700	284
Licenses and fees	2,081	2,100	19
Premiums on surety bonds	882	1,000	118
Public education	-	300	300
Service awards	-	200	200
Training expenses	1,168	6,500	5,332
Travel expenses	3,473	6,500	3,027
Internet charges	4,067	6,200	2,133
Total Other Charges	<u>14,677</u>	<u>26,200</u>	<u>11,523</u>
Depreciation			
Depreciation expense	<u>47,835</u>	<u>48,000</u>	<u>165</u>
Total Depreciation	<u>47,835</u>	<u>48,000</u>	<u>165</u>
Total Operating Expenses	<u>176,805</u>	<u>249,500</u>	<u>72,695</u>
Operating Income (Loss)	<u>73,199</u>	<u>(40,500)</u>	<u>(113,699)</u>
NON-OPERATING REVENUE			
Interest income - checking	431	750	319
Interest income - certificate of deposit	2,578	5,600	3,022
TECB grant & reimbursements	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Non-Operating Revenue	<u>13,009</u>	<u>16,350</u>	<u>3,341</u>
Net Income	<u>\$ 86,208</u>	<u>\$ (24,150)</u>	<u>\$ (110,358)</u>

INTERNAL CONTROL  
AND COMPLIANCE SECTION

# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA  
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TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Polk County "911" Emergency  
Communications District

We have audited the financial statements of Polk County "911" Emergency Communications District as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County "911" Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

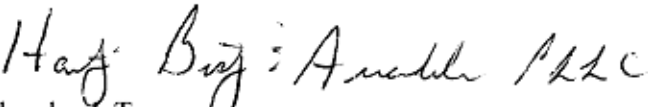
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies in internal control over financial reporting: 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Polk County "911" Emergency Communications District, others within the entity, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Cleveland, Tennessee  
October 24, 2011

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For the Fiscal Year Ended June 30, 2011

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Finding 2011-1 is repeated from the prior year ended June 30, 2010.

2011 -1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
For the Fiscal Year Ended June 30, 2011

2010 -1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: The staff size has not increased. This finding was noted for the 2011 audit.

2010-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line item was over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The District maintained the budget according to policy for the year ended June 30, 2011.